Fund 121
Dulles Rail Phase I Transportation Improvement District

Focus

Metrorail service is planned to be extended approximately 24 miles from the areas of the East and West Falls Church stations, out the right-of-way of the Dulles Airport Access Road (DAAR) to the Tysons Corner area, then further out the DAAR, past Dulles Airport, to Route 772 in Loudoun County. The total cost of the Rail to Dulles Project currently is estimated to be $3.5 billion.

Due to financial constraints imposed by the federal government, the project is currently expected to be completed in two phases. Phase I is expected to cost approximately $1.5 billion for the segment from the Metro line in the vicinity of the West Falls Church station to a point in the vicinity of Wiehle Avenue, including construction of five new stations. Phase II is expected to cost approximately $2.0 billion for the segment from Wiehle Avenue to Route 772. Based on the latest estimate available from the Virginia Department of Rail and Public Transportation (VDRPT), the County's share for Phase I is expected to be $380.5 million and for Phase II it is $176.7 million.

The costs are expected to be shared 50 percent by the federal government, 25 percent by the Commonwealth, and 25 percent by Fairfax County, Loudoun County and the Metropolitan Washington Airports Authority (MWAA). Based on the current draft financial plan, the County's share of the total project cost is expected to be 16.1 percent. It should be noted that the County's participation rate is determined on the basis of total project costs and sharing the cost of common features necessary to complete an operational line, such as soft costs, rail yards and power stations.

On January 21, 2004, a petition was filed with the Clerk to the Board of Supervisors (the Petition) by owners of commercial and industrial property (the Petitioners) asking the Board of Supervisors to create a Phase I Dulles Rail Transportation Improvement District (the Phase I District), as provided by Chapter 15 of Title 33.1 of the Code of Virginia, as amended (the Act). The Act is similar although not identical to the law that empowered the Board and the Board of Supervisors of Loudoun County to create the Route 28 Highway Transportation Improvement District (the Route 28 District) in both counties in 1988.

The Phase I District was approved and established by the Board of Supervisors on February 23, 2004, following a public hearing. The Phase I District is governed by a District Commission, consisting of four Board members and the Chairman of the Commonwealth Transportation Board (CTB) or his/her designee. The District Commission is advised by a District Advisory Board, composed of landowner representatives. This is the same basic governance structure used for the Route 28 District.

Commercial and industrial property within the district created pursuant to the Act can be taxed to raise funds for transportation improvements in the district. Such a district can be created upon the petition of the owners of at least 51 percent, measured by land area or assessed value, of the real property located within the proposed district that is zoned or used for commercial or industrial purposes. The properties listed on the signature pages of the Petition constituted over 64 percent of such property located within the Phase I District, measured by assessed value.

Per the Code of Virginia § 33.1-435, properties zoned to permit multi-unit residential use but not yet used for that purpose and multi-unit properties primarily leased or rented to residential tenants or other occupants by an owner who is engaged in such a business are deemed to be in commercial use for purposes of the Act. But no other residential properties are subject to any tax that may be levied on behalf of such a district, even if they are within the boundaries of such a district.

The boundaries, as proposed by the Petitioners, encompass most if not all of the Tysons Corner Urban Center, commercial and industrial properties near the proposed Metrorail station at Wiehle Avenue, and the necessary DAAR right-of-way.

The proposed transportation improvements include that portion in the Phase I District of the capital improvements described as the Locally Preferred Alternative (LPA) in a resolution of the Board of Directors of the Washington Metropolitan Area Transit Authority (WMATA), adopted on November 21, 2002.

The Petitioners will contribute the full amount of the County's net share for Phase I through the imposition of a voluntary tax on commercial and industrial properties within the Phase I District. Included in the proposal is a provision for full coverage of the long term financing costs for the County's net share of construction costs. Under the current plan, the total expected cost, including interest costs over the life of the district, to be provided by the tax on behalf of the Phase I District is approximately $882.5 million.

The plan as set forth in the Petition contains specific provisions regarding timing, tax rates, total costs, and percentage of costs to be paid with Phase I District revenue. The plan contemplates the establishment of a Revenue Stabilization Fund (RSF) with early collection of taxes commencing in FY 2005 to build reasonable reserves to help maintain the rate parameters in view of the cyclic pattern of changes in assessed value from year to year. It is anticipated that the RSF and perhaps other rate or coverage covenants will be required by rating agencies to achieve an investment grade rating on bonds issued that are supported by Phase I District tax revenues.

Under the terms of the petition, before any Phase I District revenues are committed the tax rate is capped at 22 cents per $100 of assessed value, and taxes collected accumulate in the RSF. If a federal Full Funding Grant Agreement (FFGA) for Phase I is not executed by December 31, 2006, then the owners of 51 percent of the commercial and industrial property within the Phase I District may petition for its dissolution, and individual property owners can ask for the return of taxes previously paid and accumulated in the RSF.

Before committing Phase I District tax revenues, the District Commission must determine that the actual financing will not exceed $400 million of construction funds for Phase I costs, and that a tax rate of no more than 29 cents per $100 of assessed value will be sufficient to meet the Phase I District's obligations at an assumed rate of growth in assessed value of 1.5 percent. If at the time the District Commission expects either of those parameters to be exceeded, then they must seek approval from the owners of 51 percent of the commercial or industrial property within the Phase I District before proceeding to commit the revenues.

However, once Phase I District revenues have been committed, allowing the financing to be put into place for the sale of bonds supported by those revenues, there is no "hard" cap on the Phase I District tax rate other than the statutory cap of 40 cents per $100 of assessed value. Thus there would be full latitude to set the tax rate up to the statutory maximum, if necessary, to meet the obligations of the Phase I District, e.g., if necessary to meet debt service requirements in the event assessed value growth rates cannot be sustained at 1.5 percent or greater.

FY 2006 Funding Adjustments

The following funding adjustments from the FY 2005 Revised Budget Plan are necessary to support the FY 2006 program:

- ♦ There are no funding adjustments for this fund. Only revenue collections will be made in FY 2006 as no expenditures are anticipated for this Fund until the federal Full Funding Grant Agreement is executed on or before December 31, 2006. This fund was created to collect tax revenue to support the debt service payments for future bond sales needed to fund the County's share of the Phase I transportation improvements for the Dulles Rail project.

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Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2006 Advertised Budget Plan, as approved by the Board of Supervisors on April 25, 2005:

- ♦ The Board of Supervisors made no adjustments to this fund.

The following funding adjustments reflect all approved changes to the FY 2005 Revised Budget Plan from January 1, 2005 through April 18, 2005. Included are all adjustments made as part of the FY 2005 Third Quarter Review:

- ♦ The Board of Supervisors made no adjustments to this fund.

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FUND STATEMENT

Fund Type G10, Special Revenue Funds

Fund 121, Dulles Rail Phase I Transportation Improvement District

	FY 2004 Actual	FY 2005 Adopted Budget Plan	FY 2005 Revised Budget Plan	FY 2006 Advertised Budget Plan	FY 2006 Adopted Budget Plan
Beginning Balance	**$0**	**$0**	**$0**	**$7,513,673**	**$7,513,673**
Revenue:					
Real Estate Taxes-Current[1]	$0	$0	$7,513,673	$16,866,693	$16,866,693
Revenue from Buy Outs	0	0	0	0	0
Interest on Investments	0	0	0	403,273	403,273
Total Revenue[2]	$0	$0	$7,513,673	$17,269,966	$17,269,966
Total Available	**$0**	**$0**	**$7,513,673**	**$24,783,639**	**$24,783,639**
Expenditures:					
Debt Service	$0	$0	$0	$0	$0
Total Expenditures	$0	$0	$0	$0	$0
Total Disbursements	**$0**	**$0**	**$0**	**$0**	**$0**
Ending Balance	**$0**	**$0**	**$7,513,673**	**$24,783,639**	**$24,783,639**
Tax rate/per $100 Assessed Value	**$0**	**$0**	**$0.22**	**$0.22**	**$0.22**

[1] Estimate based on January 1, 2004 assessed values at the approved tax rate of $0.22 per $100 levied as of July 1, 2004. The FY 2005 estimated revenues therefore represent only one-half year of collected taxes. The FY 2006 estimate represents a full-year of tax revenue.

[2] As part of the FY 2006 Adopted Budget Plan, revenue received from the Phase I Dulles Rail Transportation Improvement District has been reclassified from Agency Fund Type, Fund 711, Dulles Rail - Phase I to Special Revenue Fund Type, Fund 121, Dulles Rail - Phase I . This action has been taken to comply with guidance provided by the external auditor regarding the correct accounting treatment for receipt of funds on behalf of this district.